

MR. HERRNSTADT: Thank you, Mr. Chairman. My name is Owen Herrnstadt. I'm the Director of the International Department at the International Association of Machinists and Aerospace Workers. My responsibilities include trade activities involving machinist members in North America. The IAM, the machinists union, represents workers in a variety of industries throughout North America: aerospace, aerospace-related industries, shipbuilding, ship repair, woodworking, manufacturing, electronic and transportation, just to name a few. We're grateful for the opportunity to testify before this Commission today, and I would like to summarize my comments that were submitted previously.

I'd like to concentrate on three specific areas. The first one that I'll concentrate heavily on involves that of the transfer of production, production techniques and technology to other countries overseas, in return for hope of market access. The second -- and this I would be remiss if I did not address -- involves the coming of the World Trade Organization to Seattle in just a few weeks and some of the specific trade-related concerns that we at the machinists union have regarding the WTO. And the third involves, as my colleague on the panel, Mr. Waldmann, referred to, the

events that have occurred in just the 24-hour period involving China's possible accession to the WTO.

Let me start off with the issue of offsets.

My written testimony outlines the definition of offsets as we view it in terms of the machinists union.

That is, usually it's referred to as government-mandated demands that accompany transfer of production, production techniques or technology to that country in return for a possible sale of an item. Offsets come in a variety of categories. Direct offsets involve the actual piece of machinery or the aerospace product that is being sold. Indirect offsets involve something that may be totally unrelated; for example, a papermaking machine.

We have seen in recent years this use of marketing becoming much more creative, and also extending well beyond government-mandated offsets, so that it becomes a real deal-making issue. It becomes a very creative one for sales persons and for countries demanding the actual offset itself.

We see offsets as being a major threat to our members in a variety of industries, particularly aerospace and aerospace-related industries. While much information is still needed on exactly what type of offsets and all of the creative innovative schemes involving offsets that are occurring, what we do know

is alarming. We know that offsets have saturated the aerospace industry. We also know that offsets are increasing and are growing. We know that jobs are being threatened by offsets. We've already lost several hundred thousand jobs in the aerospace industry. We know that our trade deficit is growing particularly with countries like China. And we know that we will end up with sacrificing more jobs as we spur on more competition overseas from offsets.

The Bureau of Export Administration reports that more than half of all offsets, or a significant number, involve aerospace, and that, as I mentioned, they are growing. Job losses are indeed staggering in this industry. Between 1989 and 1995 it's been estimated that 500,000 jobs were directly lost in the aerospace industry. One million jobs in the aerospace and related industries were also lost, if you take in all of the subcontractors.

In my written testimony I list very detailed statistics, looking at different aspects of the industry and the dramatic and staggering job losses that have occurred in the aircraft-engine and aircraft-parts aspect of the industry, as well as the guided missile and space-vehicles aspect of the industries. By the year 2013, other economists estimate that

200,000 more jobs will be lost in the industry, 45,000 of these jobs directly related to offsets.

If we combine this with the downturn in the Asian economy and the increase of competition, particularly for medium and small businesses located in the U.S., coming from abroad, we know that this spells trouble.

Let me conclude by referring you to the longer statement, and then also I'd like to address the WTO issue. We have argued, as have many others from organized labor, that a World Trade Organization that sets a world policy that does not incorporate effective and enforceable internationally-recognized labor standards is a trade policy that's doomed to failure. Also a trade policy that does not have strong regulations regarding issues like offsets, effective and enforceable regulations regarding these government-mandated offsets, is also a trade organization and a trade policy that is incredibly troubling and that threatens the job security of not only workers in North America, but threatens the benefits and the standards of living of workers everywhere.

In addition, let me reiterate what the machinists union said last year when we filed our submission to the International Trade Commission and that is: any accession or agreement with China that

does not incorporate effective and enforceable labor standards is incredibly troubling and is obviously one of the examples of the trouble that we have with the World Trade Organization that does not look out for labor standards, which are, after all, economic issues.

Thank you. And I'd be glad to take further questions.

COMMISSIONER LEWIS: Thank you very much.

Mr. Wessner.